

LEROY-ROSE LAKE FIRE DISTRICT

OSCEOLA COUNTY, LEROY, MICHIGAN

FEBRUARY 29, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Leroy-Rose Lake Fire District	County Osceola
Audit Date 2/29/04	Opinion Date 9/30/04	Date Accountant Report Submitted to State: 10/25/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	
		Date	

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

FEBRUARY 29, 2004

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Baird, Cotter and Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2004

INDEPENDENT AUDITORS' REPORT

To the Fire Board
Leroy-Rose Lake Fire District
Osceola County
Leroy, Michigan

We have audited the accompanying general-purpose financial statements of Leroy-Rose Lake Fire District, Osceola County, Leroy, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Fire District. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Fire District's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Leroy-Rose Lake Fire District, Osceola County, Leroy, Michigan as of February 29, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND ACCOUNT GROUP

FEBRUARY 29, 2004

	GOVERNMENTAL FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	GENERAL FIXED ASSETS	
<u>ASSETS</u>			
Cash			
Commercial Account	\$ 144,635	\$ 0	\$ 144,635
Land and Buildings	0	159,572	159,572
Machinery and Equipment	0	461,792	461,792
Office Furniture and Fixtures	0	3,096	3,096
TOTAL ASSETS	<u>\$ 144,635</u>	<u>\$ 624,460</u>	<u>\$ 769,095</u>
<u>EQUITY</u>			
Investment in General Fixed Assets	\$ 0	\$ 624,460	\$ 624,460
Balance	144,635	0	144,635
TOTAL EQUITY	<u>\$ 144,635</u>	<u>\$ 624,460</u>	<u>\$ 769,095</u>

The accompanying notes are an integral part of these financial statements.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

RECEIPTS

Aid from Other Governmental Units	
Leroy Village and Township	\$ 38,612
Rose-Lake Township	65,591
State Grants	79,039
Charges for Services	
Ordinance Fees	650
Training Fees	3,550
Interest and Rents	
Interest Earnings	994
Other Receipts	
Refunds	59
	<hr/>
Total Receipts	\$ 188,495

DISBURSEMENTS

Public Safety	
Personal Services	
Wages	\$ 4,000
Supplies	
Operating Supplies	
Gas and Oil	2,078
Other Operating Supplies	5,766
Office Supplies	108
Other Services and Charges	
Printing and Publishing	69
Training and Education	3,383
Communications	740
Utilities	
Electricity	939
Heating Fuel	1,694
Repairs and Maintenance	14,551
Miscellaneous	
Dues	216
Firemen's Mileage and Expense Reimbursement	14,735

The accompanying notes are an integral part of these financial statements.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

Other Functions	
Liability Insurance	13,210
Workers' Compensation	1,134
Capital Outlay	
Equipment	31,036
Building Improvements	817
	<hr/>
Total Disbursements	\$ 94,476
	<hr/>
Excess of Receipts Over (Under) Disbursements	\$ 94,019
	<hr/>
<u>BALANCE - March 1, 2003</u>	50,616
	<hr/>
<u>BALANCE - February 29, 2004</u>	\$ 144,635
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Aid from Other Governmental Units			
Leroy Village and Township	\$ 31,500	\$ 38,612	\$ 7,112
Rose-Lake Township	61,700	65,591	3,891
State Grants	92,000	79,039	(12,961)
Charges for Services			
Ordinance Fees	1,500	650	(850)
Training Fees	1,500	3,550	2,050
Interest and Rents			
Interest Earnings	1,000	994	(6)
Other Receipts			
Refunds	500	59	(441)
Total Receipts	<u>\$ 189,700</u>	<u>\$ 188,495</u>	<u>\$ (1,205)</u>

DISBURSEMENTS

Public Safety			
Personal Services			
Wages	\$ 4,000	\$ 4,000	\$ 0
Supplies			
Operating Supplies			
Gas and Oil	4,000	2,078	1,922
Other Operating Supplies	6,065	5,766	299
Office Supplies	800	108	692
Other Services and Charges			
Printing and Publishing	250	69	181
Training and Education	6,500	3,383	3,117
Communications	1,000	740	260
Utilities			
Electricity	2,400	939	1,461
Heating Fuel	3,500	1,694	1,806
Repairs and Maintenance	19,000	14,551	4,449
Miscellaneous			
Dues	250	216	34
Firemen's Mileage and			
Expense Reimbursement	25,000	14,735	10,265

The accompanying notes are an integral part of these financial statements.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Other Functions			
Liability Insurance	20,000	13,210	6,790
Workers' Compensation	1,750	1,134	616
Capital Outlay			
Equipment	109,435	31,036	78,399
Building Improvements	2,000	817	1,183
Contingency	31,600	0	31,600
Total Disbursements	\$ 237,550	\$ 94,476	\$ 143,074
Excess of Receipts Over (Under) Disbursements	\$ (47,850)	\$ 94,019	\$ 141,869
<u>BALANCE</u> - March 1, 2003	50,616	50,616	0
<u>BALANCE</u> - February 29, 2004	\$ 2,766	\$ 144,635	\$ 141,869

The accompanying notes are an integral part of these financial statements.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Leroy-Rose Lake Fire District is a joint venture fire department supported by Leroy Township, Rose Lake Township and the Village of Leroy. Each township levies millage to support the Fire Department. The property tax collections and taxes receivable are recognized by the individual townships. The Fire District recognizes the funds received from the two townships as aid from other governmental units. Under the criteria established by generally accepted accounting principles, the Fire District has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Fire District are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Fire District has no long-term debts which would be recorded in the general long-term debt account group.

The Fire District has the following fund type and account group:

Governmental funds are used to account for the Fire District's general government activities. The Fire District uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Fire District's primary operating fund. It accounts for all financial resources of the Fire District, except those required to be accounted for in another fund.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Fire District.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2004

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

I. State statutes authorize the Fire Department to invest funds as follows:

- a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. In repurchase agreements consisting of instruments listed in subdivision (a).
- e. In bankers' acceptances of United States banks.
- f. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g. In mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2004

- iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
 - h. In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
 - i. In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
 - j. In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
 - II. A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
 - III. Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
 - IV. As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
2. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2004

3. Use of Estimates

This presentation of financial statements in conformity with generally accepted accounting principles requires the Fire Department to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

4. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on February 25, 2003, or as amended by the Fire Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Fire District Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire District because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Fire District's deposits was \$144,635 and the bank balance was \$153,853, of which \$100,000 was entirely covered by Federal Depository Insurance and the remaining \$53,853 was uninsured and uncollateralized.

LEROY-ROSE LAKE FIRE DISTRICT
OSCEOLA COUNTY, LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2004

The carrying amount of the Fire District's deposits and investments at year-end are shown below:

Citizens Bank Leroy, Michigan Commercial Account	\$ <u>144,635</u>
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B. Fixed Assets

A summary of changes in general fixed assets follows:

	BALANCE 3/1/03	ADDITIONS	DELETIONS	BALANCE 2/29/04
<u>GENERAL FIXED ASSETS</u>				
Land and Buildings	\$ 158,755	\$ 817	\$ 0	\$ 159,572
Machinery and Equipment	430,936	30,856	0	461,792
Office Furniture and Equipment	2,916	180	0	3,096
 TOTAL	 \$ 592,607	 \$ 31,853	 \$ 0	 \$ 624,460

IV. OTHER INFORMATION

A. Interest Income and Expense

A. For the year ended February 29, 2004, interest income and interest expense is summarized as follows:

	INTEREST INCOME	EXPENSE
General Fund	\$ 994	\$ 0

B. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and worker's compensation claims. The government carries commercial insurance to guard against loss from these risks.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Fire Board
Leroy-Rose Lake Fire District
Osceola County
Leroy, Michigan

As a result of our audit of the financial statements of the Leroy-Rose Lake Fire District for the year ended February 29, 2004, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the Fire District:

Condition of Accounting Records

The accounting records were again found to be in excellent condition. We would like to congratulate the Treasurer for doing a good job and thank her for her efforts in accumulating the information needed for the audit.

Budgeting

The Fire District did a good job of complying with Michigan Public Act 621 of 1978, "The Uniform Budgeting and Accounting Act."

Investment Policy

Public Act 196 of 1997 requiring all local units of government to adopt an investment policy became effective on December 30, 1997. The law requires the policy to provide a statement of purpose, a delegation of authority to make investments, a list of authorized investment instruments, and to provide procedures for safekeeping of assets. We suggest that the Fire Department coordinate with the Townships to adopt a policy similar to the one the Townships adopt.

GASB 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For the Leroy-Rose Lake Fire District, GASB 34 will become effective for the year ending February 28, 2005.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.
- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expense. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.
- d) The main change is the inclusion of fixed assets; i.e., land, buildings and equipment, with depreciation on these items to be reported for the year ending February 28, 2005. To implement this reporting change, we recommend that the District begin taking steps now to accumulate the necessary information to comply with the new reporting format. We are available to assist you with the implementation of accounting for your fixed assets.

We would like to thank the board for awarding our firm the audit assignment of the District and to thank the Treasurer for her cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2004

LETTER OF REPORTABLE CONDITIONS

To the Fire Board
Leroy-Rose Lake Fire District
Osceola County
Leroy, Michigan

In planning and performing our audit of the general-purpose financial statements of Leroy-Rose Lake Fire District, Osceola County, Leroy, Michigan for the year ended February 29, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Fire District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.